

An aerial photograph of an offshore wind farm in the North Sea. Numerous blue and yellow wind turbines are visible, stretching across the horizon. In the foreground, a red and white supply vessel is moving through the water, leaving a white wake. The sky is clear and blue.

Offshore Wind Potential New Leasing February 2018 Update



Introduction

The information contained within this presentation was prepared for a meeting of the Offshore Wind Industry Council (OWIC) on 6 February 2018.

The Crown Estate announced in November 2017 that it will consider new leasing for offshore wind projects following the Government's backing for offshore wind in the Clean Growth Strategy, and the 2017 'Contracts for Difference' auction which demonstrated significant cost reduction.

The presentation provides an update on The Crown Estate's work to consider making new seabed rights available to offshore wind developers. It provides the direction of travel and reflects The Crown Estate's thinking at this moment in time. All information provided is subject to change.

For the avoidance of doubt, please note that The Crown Estate's management duties in Scotland have been transferred to Scottish Government. The information contained within this presentation therefore relates to the potential leasing of new offshore wind projects in England, Wales and Northern Ireland only.

Background to November Announcement

- The UK's world-leading offshore wind sector continues to mature, with over 5GW of fully installed capacity meeting over 5% of the UK's electricity demand. Further information is available in our [offshore wind operational report](#).
- The [Clean Growth Strategy](#), which was published in October 2017, provided a clear policy signal on the Government's commitment to offshore wind (see page 99):

“We will work with industry as they develop an ambitious Sector Deal for offshore wind. Provided costs continue to fall, this could result in 10GW of new capacity built in the 2020s”

“We will also consider whether there could be opportunities for additional offshore wind deployment in the 2020s, if this is cost-effective and deliverable.”
- Following these signals, we [announced](#) that we believed that it is the right time to consider what additional seabed rights may be needed to help secure the UK's clean energy future.



Reflections from previous leasing rounds

We are using the feedback we received and our experience from previous leasing activity to inform the approach to potential new leasing.

Engagement

- There is benefit in early engagement with statutory and wider stakeholders regarding spatial constraints
- It is helpful to engage with industry on the leasing offer prior to the formal tender process

Site selection

- Sharing The Crown Estate's knowledge and data can improve site selection
- Including a mechanism to allow boundary adjustments can save time later

Scale

- Leasing rounds should be designed to provide projects in accordance with market demand
- The size of project areas should balance the need to minimise uncertainty for other seabed users, with the need to optimise project viability

Process

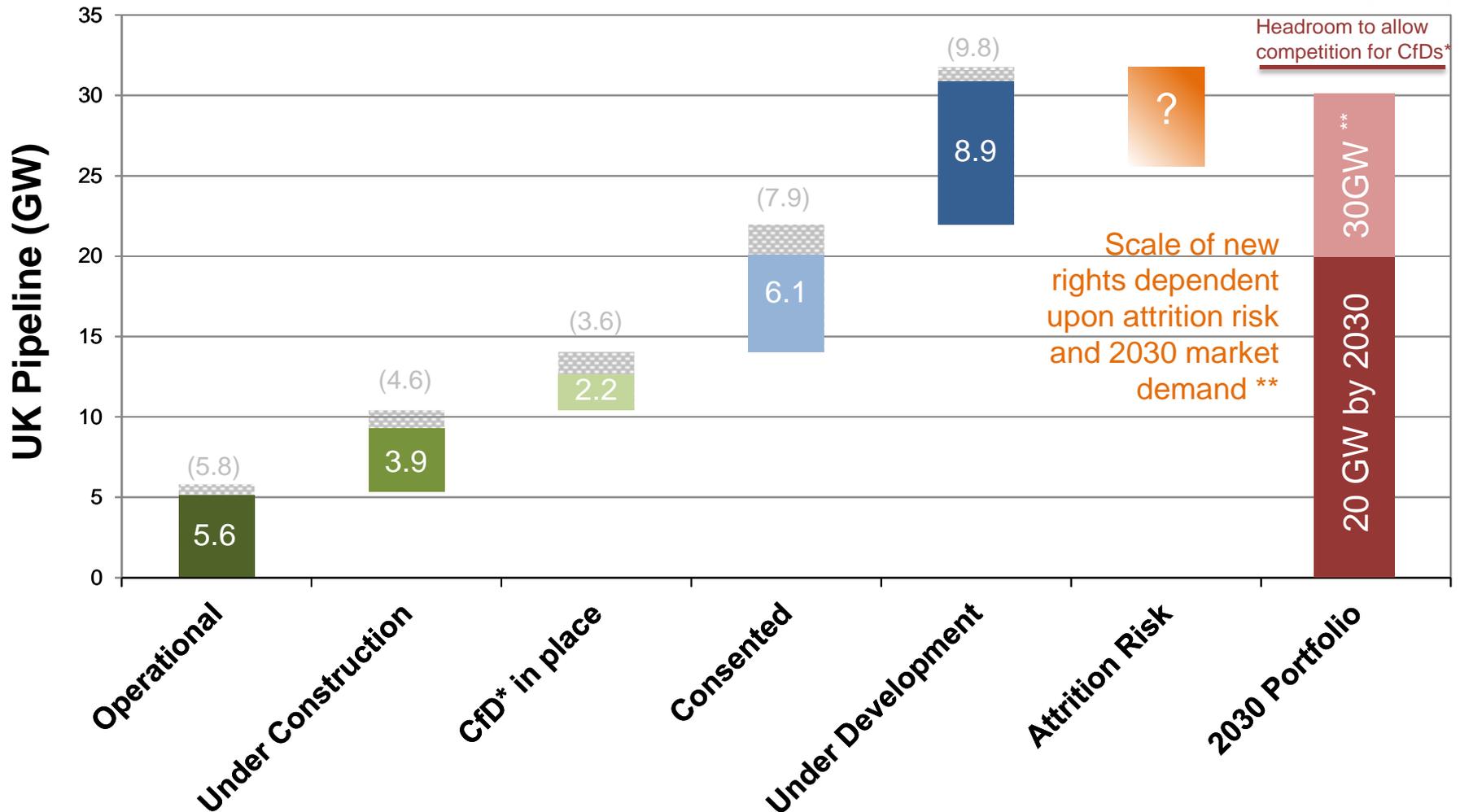
- Plan-level Habitat Regulations Assessment (HRA) is on the critical path to awarding rights
- It is important to provide visibility of, and then commit to, the tender timescales at the outset of formal leasing



Market feedback

- In November 2016 the Department for Business, Energy & Industrial Strategy (BEIS) led an engagement exercise with OWIC members and other market participants. The Crown Estate also attended these meetings. Feedback from this exercise indicated:
 - Appetite exists for new development rights in the UK;
 - Support exists for a developer-led leasing model, with sites proposed and consented by developers (as per Rounds 1, 2, Scottish Territorial Waters and Extensions);
 - It is useful to have government involved in discussions with wider stakeholders; and
 - It is useful for The Crown Estate and marine planning authorities to provide input at an early stage to facilitate consideration of national or strategic concerns, prior to Agreement for Lease award.
- This feedback, together with the reflections from previous leasing rounds (slide 4), our analysis of the current offshore wind portfolio (slide 6) and consideration of wider factors (slide 7) will inform the design of the leasing offer (slide 8).

Market analysis: January 2018



Key

 = Projects located in Scotland and managed by Crown Estate Scotland (CES)

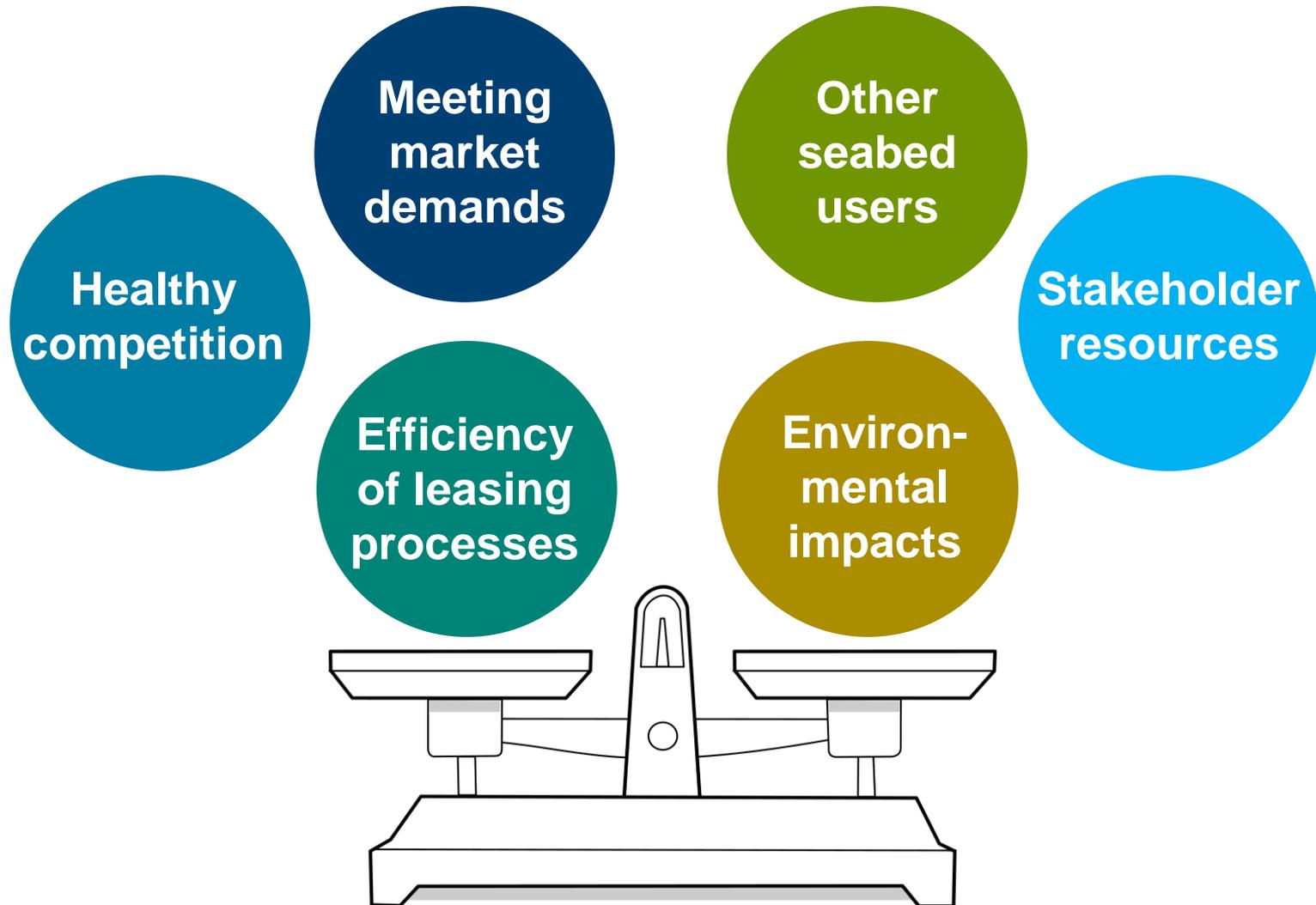
(1.0) = Numbers in brackets represent total UK pipeline, including Scotland, at each stage of development

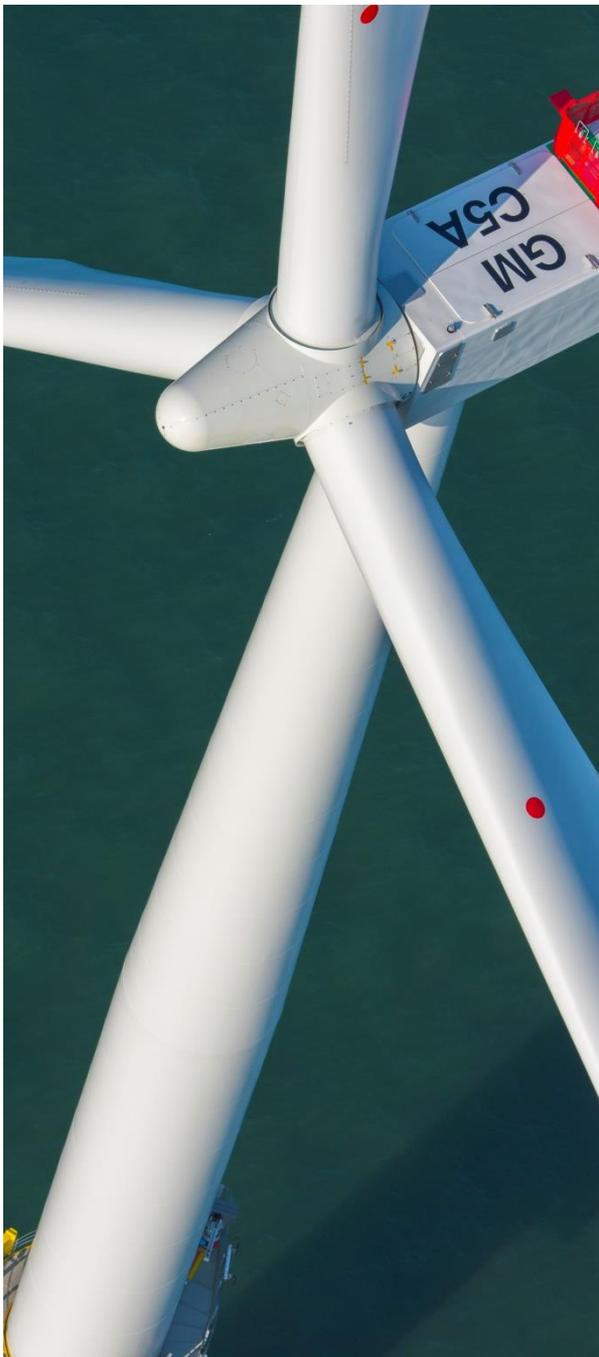
* CfD = Contract for Difference

** 30GW = assumption on market demand based on industry feedback and published sources ([Aurora, 2018](#))

Work in progress: leasing design

The seabed is an important natural resource that already supports a wide range of interests. Some of the factors that we need to balance when considering how much new offshore wind capacity to offer are shown below.





Work in progress: leasing design

- The Crown Estate is currently considering how best to identify potential areas for leasing and has started engagement with statutory marine planning authorities.
- We are exploring a leasing model where developers identify sites within pre-defined, but relatively wide regions of seabed.
- We are characterising these regions by considering a number of factors, including:
 - Favourable technical resource area for fixed offshore wind;
 - Marine plan areas and policies; and
 - Deliverability (including consents, grid constraints and existing rights and activities).
- Our analysis to date is focussed on fixed offshore wind as we anticipate that this will deliver the most competitive projects within the current policy context and therefore be the focus of market demand.
- We are also considering the tender process and key commercial terms for the leasing offer.

Please note that no decisions have yet been taken on the points above – more information will follow in due course

Next steps

We intend to engage over the course of summer 2018 on our leasing design work. This is likely to involve:

- a) Information days with interested market participants; and
- b) Workshops with statutory stakeholders; followed by
- c) Wider stakeholder engagement

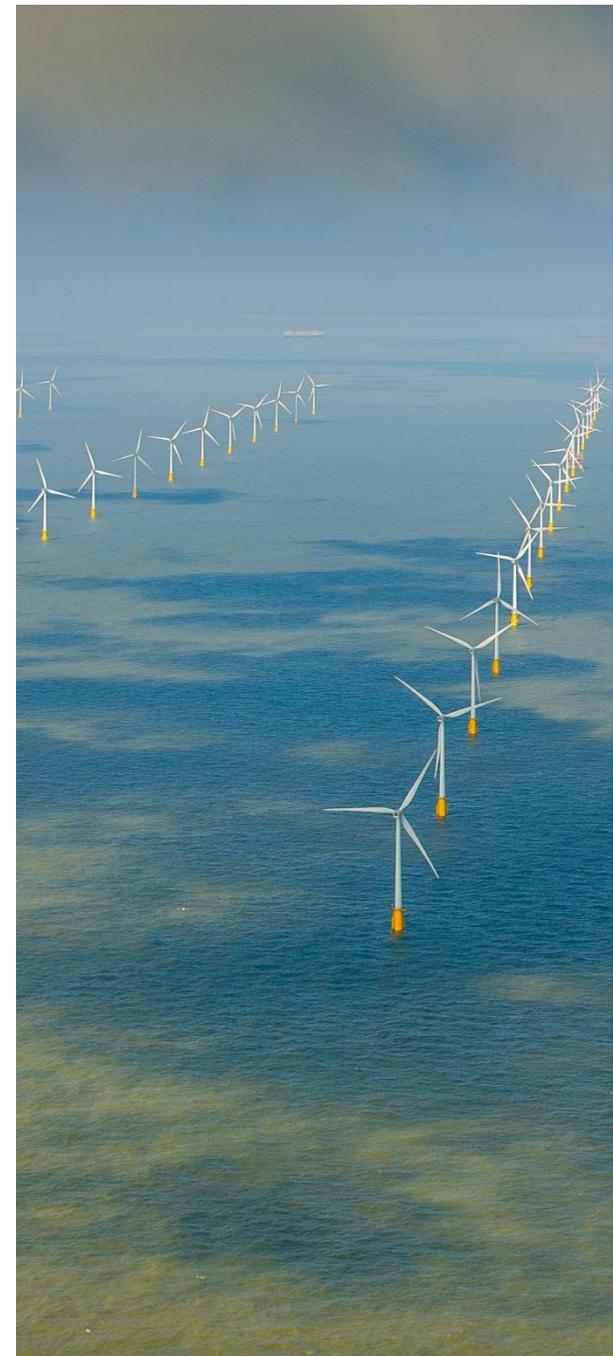
The feedback from this engagement will be considered in our determination of the potential for, and the approach to, new leasing.

If we conclude that it is appropriate to do so, a formal process could commence in late 2018, into 2019.

Timings are subject to change will be confirmed in due course.

Regular updates will be provided on our website, and directly to parties who have registered their interest:

<http://www.thecrownestate.co.uk/energy-minerals-and-infrastructure/offshore-wind-energy/working-with-us/potential-new-leasing/>



Thank you!

For more information, and to register for updates please visit our website:

www.thecrownstate.co.uk/energy-minerals-and-infrastructure/offshore-wind-energy/working-with-us/potential-new-leasing/

